

AR45

59



35th

ANNUAL REPORT

*Fiscal Year Ending
October 29, 1958*

O R A N G E C R U S H L I M I T E D

O R A N G E C R U S H L I M I T E D

	LOUIS COLLINS	JOHN A. McDOUGALD
<i>directors</i>	F. A. DWYER, C.A.	D. A. McINTOSH, Q.C.
	J. WILLIAM HORSEY	J. N. SWINDEN
	M. W. McCUTCHEON, Q.C.	J. M. THOMPSON

	J. WILLIAM HORSEY	- - - -	<i>Chairman of the Board</i>
	J. M. THOMPSON	- - - - -	<i>President</i>
<i>officers</i>	JOHN A. McDOUGALD	- - - - -	<i>Vice-President</i>
	F. A. DWYER, C.A.		<i>Vice-President and Secretary-Treasurer</i>
	L. J. RYAN	- - - - -	<i>Vice-President Eastern Region</i>
	C. A. DRUMMOND	- - -	<i>Vice-President Western Region</i>

<i>bankers</i>	IMPERIAL BANK OF CANADA	- - - - -	TORONTO
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<i>transfer agent & registrar</i>	MONTREAL TRUST COMPANY	-	TORONTO AND MONTREAL
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<i>auditors</i>	MCDONALD, CURRIE & Co.	- - - - -	TORONTO
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REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

On behalf of your directors we are pleased to present their annual report for the fiscal year ended October 29, 1958.

Net profit after all charges, including provision of \$133,227 for depreciation of fixed assets, \$164,753 for amortization of containers and \$62,167 for taxes on income, was \$191,154. This compares with a net profit for the previous year of \$68,353, or an improvement of \$122,801.

Earned surplus at October 29, 1958 was \$733,246, an increase of \$158,760 over the balance at October 30, 1957.

Working capital at the fiscal year end was \$1,296,445. This was a major improvement over the previous fiscal year, the increase being \$827,525. During the year 5½% debentures totalling \$900,000 were issued and the proceeds used to pay off the current bank loan. Other long-term debt was further reduced by the repayment of \$145,000 principal amount of the 4½% debentures, \$70,000 principal amount of the 3% General Mortgage and Collateral Trust Serial Bonds and \$9,484 principal amount of the 5% First Mortgage. The balance of the 4½% debentures amounting to \$145,000 was paid on November 1, 1958. The ratio of current assets to current liabilities at October 29, 1958 was 2.5 to 1 compared with 1.3 to 1 at the end of the previous year.

The year under review saw the completion of the third phase of the three-year programme commenced in 1956. This was designed to establish the new 10-ounce King-Size Orange CRUSH bottle in company and franchised bottler territories in Canada and the United States. We are very pleased to report that the results have justified the undertaking and that the expected public acceptance and resulting increase in sales of the new package over the former 7-ounce amber bottle, have materialized. Sales of Orange CRUSH during the past fiscal year were 43.5% higher than in 1955, the

last year of the 7-ounce amber bottle. When the planned programme was inaugurated, it was estimated that the financial results for the first year, because of the very necessary increased advertising and sales promotion expenditures involved, would cause a substantial loss but the two succeeding years would show substantial improvements. The loss of \$186,218 in 1956, followed by a profit of \$68,353 in 1957 and a profit of \$191,154 in 1958 have shown the expected trend and in the opinion of your directors and management have justified the wisdom of carrying out this major change. Your company, along with the rest of the bottling industry, has experienced three years in succession of abnormally cool summer weather in both Canada and the United States, which have been a deterrent to an even greater success of the three-year programme.

Plans are rapidly approaching completion for a programme to further substantially increase sales of Orange CRUSH and other company products. These will include the most up-to-date marketing and sales promotion techniques available and it is confidently expected that these plans will have a materially beneficial effect on the operations of your company in future years.

The prestige of the company has been further strengthened with the franchised bottlers and is probably now at its highest point in many years. During 1958 the new Orange CRUSH bottle has been introduced in over fifty additional markets and prospects are for a further substantial increase in 1959. Foreign operations with a few exceptions because of exchange and internal problems, were satisfactory in the past year. Further improvement is anticipated in the current fiscal year.

Your directors and officers are deeply appreciative of the co-operation displayed during the past year by all employees of the company.

J. WILLIAM HORSEY,

Chairman of the Board

J. M. THOMPSON,

President

February 3, 1959.

O R A N G E C R U S H L I M I T E D

(Incorporated under the laws of Ontario)

and subsidiaries

assets

CURRENT ASSETS

Cash - - - - -	\$ 798,892	
Accounts receivable, less provision for doubtful accounts—\$39,584 - - - - -	445,386	
Inventories—at the lower of cost or market - - - - -	779,648	
Prepaid advertising, insurance, etc. - - - - -	<u>142,780</u>	\$2,166,706

OTHER ASSETS

Containers on hand and with customers at cost, less amounts written off - - - - -	934,881	
Account receivable from customer in Argentina (exchange restricted) - - - - -	14,324	
Investment in foreign subsidiary not consolidated— at cost (Note 1) - - - - -	12,662	
Deferred receivables under agreements of sale - - -	150,650	
Note receivable - - - - -	<u>50,000</u>	1,162,517

FIXED ASSETS

Land, buildings, machinery and equipment—at cost -	3,581,456	
Accumulated depreciation - - - - -	<u>1,650,964</u>	
	1,930,492	
Cash held by trustee for bondholders (partial proceeds from sales of land and buildings) - - - -	<u>8,256</u>	1,938,748

GOODWILL ARISING FROM CONSOLIDATION	4,092,729
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Approved on behalf of the Board

J. N. SWINDEN	}	<i>Directors</i>
J. M. THOMPSON		

\$9,360,700

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Orange Crush Limited and subsidiaries as at 29th October 1958 and the consolidated statements of profit and loss and surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

consolidated balance sheet as at 29th October 1958

liabilities

CURRENT LIABILITIES

Accounts payable and accrued liabilities	- - - - -	\$ 464,544	
Income and sundry taxes payable	- - - - -	124,908	
4½% debentures due 1st November 1958	- - - - -	145,000	
3% mortgage bonds—Current portion	- - - - -	70,000	
5% first mortgage—Current portion	- - - - -	9,484	
Equipment notes payable (secured)	- - - - -	35,785	
Deferred sales of equipment under contract	- - - - -	13,576	
Due to foreign subsidiary not consolidated	- - - - -	6,964	\$ 870,261

DEFERRED EXCHANGE PROFIT 2,237

REFUNDABLE DEPOSITS ON CONTAINERS 334,888

DEBENTURES, BONDS AND MORTGAGE PAYABLE

5½% debentures due in instalments of \$150,000			
1st December 1959 to 1962 inclusive and			
\$300,000 due 1st December 1963	- - - - -	900,000	
3% general mortgage and collateral trust serial			
bonds due in equal annual instalments			
1st March 1959 to 1965 inclusive	- - -	\$490,000	
Less: Current portion	- - - - -	70,000	420,000
5% first mortgage payable in monthly			
instalments of \$2,340 including interest			
and maturing 1st January 1976	- - -	400,000	
Payments to date including current			
portion shown above	- - - - -	33,251	366,749
			1,686,749

MINORITY INTEREST IN CAPITAL STOCK AND
SURPLUS OF ORANGE-CRUSH COMPANY 325,086

CAPITAL STOCK AND SURPLUS

Capital stock (Note 2)—			
Authorized—			
500,000 common shares without nominal			
or par value			
Issued—			
425,582 shares	- - - - -	5,408,233	
Earned surplus	- - - - -	733,246	6,141,479
			<u>\$9,360,700</u>

In our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss and surplus, when read in conjunction with the explanatory notes appended thereto, present fairly the financial position of the companies as at 29th October 1958 and the combined results of their operations for the year ended on that date.

21st January 1959

McDONALD, CURRIE & Co., Chartered Accountants.

O R A N G E C R U S H L I M I T E D

and subsidiaries

consolidated statement of profit and loss

for the year ended 29th October 1958

NET PROFIT BEFORE DEDUCTING THE FOLLOWING EXPENSES	- - - - -	\$653,355	
Bond interest	- - - - -	\$ 42,726	
Bank and other interest	- - - - -	46,137	
Depreciation of fixed assets	- - - - -	133,227	
Amortization of containers	- - - - -	164,753	
Directors' fees	- - - - -	3,200	390,043
			<hr/>
			263,312
PROVISION FOR TAXES ON INCOME	- - - - -	115,144	
Reduction on application of loss in a prior year	- - -	52,977	62,167
			<hr/>
			201,145
Deduct:			
Portion of earnings of subsidiaries			
applicable to minority interest	- - - - -		9,991
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NET PROFIT FOR THE YEAR	- - - - -		\$191,154
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consolidated statement of earned surplus

for the year ended 29th October 1958

BALANCE—30TH OCTOBER 1957	- - - - -	\$574,486	
Net profit for the year	- - - - -	191,154	
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			765,640
Inventory of amber bottles (less recoveries from			
disposals) no longer required	- - - - -		32,394
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BALANCE—29TH OCTOBER 1958	- - - - -		\$733,246
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O R A N G E C R U S H L I M I T E D

and subsidiaries

explanatory notes to consolidated financial statements *for the year ended 29th October 1958*

1. The following information on the foreign subsidiary whose assets and liabilities and income and expenses are not included in these statements is submitted in accordance with the requirements of Section 89 of the Corporations Act 1953:

- (a) The accounts of the subsidiary are not consolidated herein because exchange restrictions apply.
- (b) The company's proportion of the subsidiary's profit for the year is \$117,227.
- (c) No income from the subsidiary has been included in the company's accounts for the year.
- (d) The company's proportion of the subsidiary's undistributed profits earned since acquisition and not taken into the accounts of the company is \$330,286.

The above figures are converted at the official rate of exchange.

2. Options have been granted to executive officers of the company and its subsidiaries to purchase 42,000 common shares in the capital of the company at a price of \$3.05 per share exercisable on or before 30th October 1963.
3. U.S. Internal Revenue Service reports received by a consolidated subsidiary in September 1957 for the years ended 31st October 1950 to 1954 inclusive propose additional taxes of \$181,162 for those years resulting almost entirely from the Service's refusal to recognize a wholly owned consolidated subsidiary as a Western Hemisphere corporation under U.S. tax laws. The company is contesting the

proposed additional tax and company's counsel is of the opinion that the subsidiary qualifies fully as a Western Hemisphere corporation and that it will be successful in maintaining this position.

An appeal is pending in the Supreme Court of Puerto Rico from the decision of the Puerto Rican Tax Court which resulted in the assessment of additional Puerto Rican income taxes and interest for the years ended 31st October 1947 to 1949 inclusive, which, after deducting the portion applicable to minority interest amounted to \$95,191. This amount was paid and charged to earned surplus in 1955. In the opinion of the company's counsel, a meritorious case has been presented to the Court. During the year ended 31st October 1957, a refund of United States income taxes and interest for the years ended 31st October 1947 to 1949 inclusive, totalling \$45,249, after deducting the portion applicable to minority interest, was received as the result of the payment of additional Puerto Rican taxes mentioned above. This refund and interest, less applicable legal fees, were credited to earned surplus. The amount of taxes refunded was determined on a compromise basis. If the appeal to the Puerto Rican Supreme Court previously mentioned is successful, return of the refund of United States tax associated therewith will be required.

If the appeal in Puerto Rico is unsuccessful, an additional assessment of similar Puerto Rican income taxes for the years ended 31st October 1950 to 1953 may be expected, the total of which would be \$56,082 plus interest. Refunds of applicable United States income taxes for these years should, on the basis on which the returns were filed, total \$41,063 plus interest. These refunds would be eliminated if the U.S. Internal Revenue Service is successful in maintaining its present position regarding the years 1950 to 1953. The additional taxes now proposed by the U.S. Internal Revenue Service would, however, be reduced.

The company's books and the attached statements reflect taxes paid and refunded and taxes normally accrued, but do not reflect possible additional assessments or refunds.

4. United States dollars are converted at par and other currencies at their official rate of exchange to United States dollars at 29th October 1958.



other company products

KIK

GURD'S

AMERICA DRY

OLD COLONY

VEE de VEE

GURD'S CANNED BEVERAGES